

1. Introductions of Task Force Members, Sterling Associates and audience.
2. Senator Kohl-Welles stated she believes there should be an LCB employee representative on the Task Force and also a representative of the Sports/Entertainment facilities.
 - a. The Chair responded that there have been a number of requests for additional members. There are a number of ways others can provide input through comments that are forwarded to Task Force members. It would be unwieldy to add everyone that has requested to be added to the Task Force.
 - b. Senator Kohl-Welles would like it noted for the record that she believes these representatives should be included.
 - c. Phil Wayt mentioned that the Wholesalers Association would like more members on the Task Force. The manufacturer and retail tiers are represented multiple times and the distributor tier should be similarly represented.
 - d. Representatives of the prevention and treatment community responded they too had wanted more representation, but they understand the need to hold to the present membership.
3. Voting Guidelines were reviewed. (See presentation slide 3.)
 - a. A member noted the Task Force may be required to follow the Open Public Meetings Act (RCW 42.30). If so, balloting outside of an official meeting would be prohibited.
 - i. Sterling Associates pointed out the votes will be published but the point was made that if this Task Force is subject to the Open Public Meetings Act, voting outside the meeting is prohibited, even if it is simply used as a straw poll and the official vote occurs at a Task Force meeting.
 - ii. LCB staff and the LCB's assistant attorney general (AAG) offered that they did not believe the Task Force is subject to the Open Public Meetings Act because the group is not a "governing body" as contemplated by the act. The LCB asked the AAG to look into the issue further.
 - iii. If votes are required to be held at public meetings, the Task Force work plan and approach will be modified to accommodate the impacts of the added meeting time.
4. The summary of the May 3 meeting was adopted without change. No additional comments or objections were made.
5. Task Force Charter revisions. Minor changes related to adding "...recommendations, if any..." were made and the modified document was emailed to all Task Force members before the meeting. Additional comments were requested.
 - a. A question was raised about whether the "introduction" section should be changed to reflect the discussions of the Task Force from the previous meeting and potentially today.
 - i. The "introduction" section in the charter states an historical view of the state's policy goals. The Task Force discussion about state policy goals at the last meeting was forward-looking.

- ii. A comment was made that the word “temperance” is confusing. That is not what the LCB has done. Another Task Force member commented that the word “temperance” is historical and should be left as is. A motion to remove the word “temperance” did not receive a second. The word will not be removed as a historical perspective.
- iii. Statement that the discussion of the policy goals is important and is covered in the scope (as stated in question #1 in charter.)
- iv. A motion was made, and adopted, to accept changes that were made in the “final draft Task Force Charter” document without further modification.
- b. Rep. Conway would like to note that the issues should address impacts to the industry.
- 6. Interview feedback presentation (see presentation and full text of interview summary document)
 - a. Some Task Force members would like to see the judge’s decision on the Costco lawsuit. LCB provided copies of the final briefs and the judge’s decision.
 - b. Task Force would also like a copy of the language in 2SSB 6823 that directed the LCB to convene the Task force.
 - i. **ACTION: Sterling will send to all Task Force members the language in 2SSB 6823 that directed the establishment of the Task Force. (See Attachment #1)**
 - c. Convenience stores are not represented in the interview summaries. Sterling Associates has been unable to get interviews set up, but will continue to try.
 - d. Question: how does the distributor tier support enforcement?
 - i. Wholesaler Association members have many regulations that they must follow and also ensure retailers are licensed, etc. (Phil Wayt)
 - ii. Response that no particular tier is more virtuous than any other tier. All tiers are subject to regulations and all follow them or not. LCB is there to maintain order and are the most objective. It is rather insulting to suggest that one tier describes themselves as more virtuous than the other. (Mike Hale)
 - e. The LCB believes the regulations ARE too complex as well, and inconsistencies occur in interpretation because of it. (Rick Garza)
 - f. Who was interviewed and how many?
 - i. See interview summary p. 30
 - ii. Who were the participants specifically?
 - iii. **ACTION: Sterling will send list of individuals attending to the Task Force members. (See Attachment #2)**
 - g. Need to change in interview summaries footer “small retailers (convenience stores)” – had not been interviewed yet. (No comments are attributed to them in the body of the text however.)
 - i. **ACTION: Sterling will change reference in summary document footer, and in Meeting 2 presentation.**

- h. General discussion occurred regarding interview summaries.
 - i. The list of items for change consideration is not exhaustive, and may need to be modified as discussions continue.
 - ii. The Task Force will have to prioritize and narrow the list. There are too many items on the list to tackle them all within the time provided the Task Force.
 - 1. Some felt it would be useful to cluster the items as a means of helping the prioritization process.
 - 2. The Task Force will be surveyed between now and next meeting to help prioritize this list.
 - 3. Task Force members will receive additional information about each item (e.g., what it is, how it is accomplished and why it is (or is not) currently in place) will be provided by the LCB as part of the surveying process.
 - 4. A member asked if experts would be made available to explain why certain regulations are in place. If experts are identified they need to be selected independently since there are experts on all sides of each regulation and the Task Force needs to be presented a balanced view.
 - 5. One member noted it is important to have as much data as possible about how the current structure is supporting the goals. We need to make sure there is actually a problem before changing it.

7. POLICY STRATEGY DISCUSSION

- a. Policy goal to “foster temperance / and promote moderation in consumption of alcohol.” (See presentation slide 13)
 - i. At the previous meeting, the Task Force concluded the wording needed to change to “prevent the misuse of alcohol.” The LCB offered a working definition for this goal that defines misuse and specifies that the state’s efforts should not affect responsible moderate consumption of alcohol.
 - ii. The Task Force discussed whether the term “public use” should be removed because harm can come from private consumption as well as public use.
 - 1. Removing the reference to “public” use raises a concern that the goal might be interpreted to allow the LCB the authority to enforce regulations in private homes.
 - iii. There was significant discussion about whether the state’s policy goal should include a specific reference to the state’s role in preventing alcoholism, since alcoholism is what gives rise to a significant amount of the public harm from alcohol.
 - 1. Adding a specific reference to preventing alcoholism may result in an increased burden on retailers to determine who is and is not an alcoholic.
 - 2. Alcoholism is an illness and the state should not make it illegal to have an illness. Care must be taken to focus on the behavior and not the illness.

- iv. A motion was made to accept the state's policy goal as stated in the presentation materials:
To prevent the misuse of alcohol. "Misuse of alcohol" includes underage sales/drinking, driving while under the influence, serving to inebriated consumers, public inebriation, sales outside of the regulated system, or any other public use that could promote harm or create safety or nuisance issues. In an attempt to prevent misuse, the state should not affect responsible moderate consumption, where "responsible moderate consumption" is the public sale/consumption of alcohol by legal adults, without misuse."
 - 1. The motion was amended to modify the language from "...or any other public use that could promote harm...." to "...or any other use that could promote public harm..."
- v. The Task Force adopted the goal, as amended, by a vote of 10 to 5.
- b. Policy Goal on "efficient collection of taxes." (See presentation slide 13)
 - i. The Task Force adopted, by unanimous vote, the proposed state's policy goal to "promote the efficient collection of taxes."
 - ii. There was no debate.
- c. Policy goal on "orderly market." (See presentation slides 14-15)
 - i. Phil Wayt stated the WBWWA feels very strongly that goal needs to continue and made a motion to accept goal statement as is.
 - ii. The Task Force members engaged in significant discussion of the definition of "orderly market."
 - 1. The LCB offered a modified statement of this goal drawn from an existing statute (RCW 66.28.180(1)): *to promote the public interest in fostering the orderly and responsible distribution of malt beverages and wine towards effective control of consumption.*
 - 2. The LCB's working interpretation of this goal is: *the avoidance of pressure on any one industry (producers, distributors, or retailers) from another that would cause collusion or result in unfair advantages or disadvantages that may result in over-consumption or increased access by minors.*
 - 3. Several members expressed concern that the terminology should not lock the state into regulating the same way it has in the past, and that the definition of "orderly" should allow greater flexibility in the state's approach to regulation in the future.
 - 4. The Task Force rejected an amendment to define the term "orderly" as "conduct that is in compliance with federal and state competition laws and with federal and state alcohol beverage laws."
 - iii. Rep. Conway stated that a separate goal should be considered that the regulatory system should promote state industry and state employment. He is concerned that the impacts of

any changes take into account their impact on business and employment (which impacts taxes generated for the state.)

1. The Task Force can argue whether the LCB is responsible for that, or whether the legislature is responsible, but it should be a goal to promote business, not just collect taxes and prevent misuse. Much of what is being considered here relates to economic business practices, and the LCB does have control over that.
 2. Economic development should be part of this discussion, but it's not part of the orderly market definition. Instead it should be discussed as a possible proposal for a fourth goal.
- iv. The Task Force voted, 9 to 8, to adopt the state policy goal as stated in the presentation materials, with the LCB's working interpretation.
8. AAG informal opinion is that the TASK FORCE meetings do not fall under the Open Public Meetings Act, and therefore could conduct votes by ballot (with published results) if the group desires.
9. The Task Force discussed how to move forward
 - a. Sterling Associates suggested that, even if the Task Force is not required to comply with the specifics of the Open Public Meetings Act, the Task Force could follow the requirements of act anyway. Since this would mean the Task Force could not use interim balloting, the Task Force would need to add a meeting in July.
 - i. The members decided to use a survey to provide useful information and as a means to consolidate information.
 - ii. Agreed to use surveys for preliminary thinking, and then discuss and vote at the next meeting, and see then if need to insert an additional meeting.
10. Members noted the core assumption on page 16 is not an accurate statement. (*"Manufacturer's profit motive to sell as much as it can of its products should be mitigated because of the harmful effects of alcohol consumption; the manufacturer must be separated from the consumer."*) This statement appears to suggest that manufacturers pursue a profit motive to the point of irresponsibility, which is not accurate. Most businesses, including manufacturers, are responsible and while they pursue profits they are also concerned with promoting responsible moderate consumption and discouraging misuse of alcohol.
 - a. LCB staff clarified this was an underlying assumption and rationale of original tied house regulations. It is a 1930 assumption about 1920 behavior.
 - b. A similar objection was made to the phrase "sell...as much as it can...." It is not an accurate statement for retail profit motives either.
11. The Task Force will reconvene on June 15, 10:00 a.m., in the LCB's Board Room.

**THREE-TIER TASK FORCE
MEETING #2 SUMMARY**

ATTACHMENT 1

Excerpt from:

**CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE SENATE BILL 6823**

Chapter 302, Laws of 2006

59th Legislature

2006 Regular Session

BEER AND WINE DISTRIBUTION

NEW SECTION. Sec. 13. The liquor control board shall convene a task force to conduct a comprehensive review of the current regulatory system controlling the sale and distribution of beer and wine in Washington state. The board shall include stakeholders representing the producers, distributors, consumers, retailers, carriers, and legislators in conducting its review. The task force shall review the genesis of the current regulatory system and whether the system in its current configuration should continue. It shall identify key issues, concerns, and desired changes by stakeholders about the current system and shall identify alternatives or modifications to the current system. The task force shall also research and analyze the impacts and implications of this act, and other suggested modifications to the system on distributors, producers, retailers, and consumers. The task force shall make recommendations about any proposed changes to the system by December 15, 2006.

THREE-TIER TASK FORCE
MEETING #2 SUMMARY
ATTACHMENT #2

List of Individuals Participating in Group and Individual Interviews

WESTERN WASHINGTON WINE SUPPLIERS (April 24)

Tim Hightower	Washington Wine Institute
Peter Dow	Cavatappi
Jeff Peda	VINCOR
Brad Hoffman	Silver Lake Winery
Jean Leonard	Washington Wine Commission

WASHINGTON BREWERS (SMALL AND LARGE) (May 2)

Gary McGrath	Pyramid
George Hancock	Washington Brewers Guild
Paul Shipman	Redhook
Mac Rankin	Mac & Jack

WASHINGTON GROCERS (May 2)

Lynn Gust	Fred Meyer
Dale Wilson	QFC
John McKay	Costco
Bob Broderick	NW Grocers
Mike Shirts	Rosauers
Holly Chisa	Albertsons
Mark Takag	Metropolitan Market
Craig Maves	Thriftway
Jan Gee	WFI

WBWWA (May 4)

Lance Kahn	Marine View Beverage
Ted Rusnak	King Beverage, Inc.
Craig Mullarky	Sound Beverage Distributors
Ed Maletis	Columbia Dist. Co.
Gregg Christiansen	Columbia Dist. Co.
Dan Tupper	Crown Distributing
Joe Gladfelter	Olympic Distributing
Jim Stephanson	Friendly Distributors
Mike Bjerke	Marine View Beverage
Dan Agnew	Mt. Hood Beverage
Dick Barkett	Odom Corp
Gigi Burke	Crown Distributing
Steve Knight	City Beverages
Rob Maletis	Maletis Beverage
Dan Levine	K&L Dist
Bob Stevens	Alaska Dist
Steve Loeb	Alaska Dist
Dan Tupper	Crown - Aberdeen
Riggs Nelson	Ace Beverage Inc.
Phil Wayt	WBWWA
John Guadnola	Gordon Thomas Honeywell
Paul Romain	Attorney

EASTERN WASHINGTON WINE PRODUCERS (May 5)

Kay Simon	Chinook Wineries
Rick Small	Woodward Canyon
Marty Clubb	L'Ecole N41
John Bookwalter	Bookwalter Winery
Wade Wolfe	Thurston Wolfe
Jean Leonard	WWI

WINE RETAILERS (May 8)

Steve Winston	The Spanish Table
Steve Lynn	Water to Wine Shop
Michael Orlando	de-Vine Wines
Michael Teer	Pike & Western
Doby Charles	Compass Wines
Meriann Roberts	Esquin Wine Merchants
Ruth Arista	Arista Wine Cellars
Jay Schiering	McCarthy & Schiering Wine Merchants

SPORTS AND ENTERTAINMENT FACILITIES (May 8)

Becky Bogard	WSSEFOA
Pete Winemiller	Sonics/Storm
Susan Darrington	Qwest Field / Seahawks
Jim Halstrom	Emerald Downs
Joe Chard	Mariners
Richard Schrock	House of Blues/Gorge Amphitheater
Kim Bedier	WSSEFOA / Everett Events Center
Mark Wiggins	WSSEFOA / Everett Events Center

ON-PREMISES LICENSEES (RESTAURANTS / HOTELIERS) (May 8)

Michael Transue	WA Restaurants Association
Chad Mackay	Mackay Restaurants
Paul Mackay	Mackay Restaurants
Gene Vosberg	WA Restaurants Association
Carol Miller	Restaurants Unlimited

PREVENTION / TREATMENT / ENFORCEMENT (May 12)

Pam Darby	DASA
Henry Govert	Drug-Free Training
Earlyse Swift	Together!
Sherry Byers	Pierce County Human Services

INDEPENDENT WHOLESALERS (May 16)

Samantha Agee	A&B Imports
Chuck Marush	Noble Wines
Ari & Tyson Manzin	Bianco-Rosso
Peter Fritts	Grape Expectations
Matt Mabus	Cordon Selections
Carl Sheath	New Zealand Pure
Michael Rhodes	Triage Wines
Steve Lynn	Water to Wine Shop

LCB BOARD MEMBERS & KEY STAFF

Merrit Long	LCB Board Chair
Roger Hoen	LCB Board Member
Vera Eng	LCB Board Member
Pat Koehler	Administrative Director
Rick Garza	Deputy Administrative Director
Lorraine Lee	Licensing and Regulation Director
Bob Burdick	Communications Director
Randy Reynolds	MIW Manager
Martha Lantz	Assistant Attorney General

INDIVIDUAL INTERVIEWS (TF members shown in bold)

Tom Carr	Seattle City Attorney
Representative Condotta	House of Representatives
Representative Conway	House of Representatives
Steve Gross	CA Wine Institute
Mike Hale	Hale's Ale
Fred Hellberg	Consumer
Tim Hightower	Washington Wine Institute
Greg Hopkins	Tacoma Police Department
Katie Jacoy	CA Wine Institute
Lance Kahn	WBWWA
Senator Kohl-Welles	Senate
Steve Lynn	Water to Wine shop

John McKay	Costco
Carol Owens	Governor's Council on Substance Abuse
Senator Parlette	Senate
Robin Pollard	Washington Wine Commission
Mary Segawa	Together!
Shelley Sieveking	Anheuser-Busch
Larry Springer	House of Representatives / Specialty Retailer
Jennifer Strus	Senate Labor Committee Staff
Phil Wayt	WBWWA

TF members participating in group interviews:

Rick Garza	LCB
Lynn Gust	Fred Meyer
Tim Hightower	WA Wine Institute
Steve Lynn	Water to Wine shop
John McKay	Costco
Gene Vosberg	WRA
Phil Wayt	WBWWA